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THE SOVIET WORLD

The nature and extent of recent changes in Hungary appear to reflect the Kremlin's decision to adopt more moderate policies in the Eastern European Satellites and to install leaders capable of instituting these policies.

The sweeping reorganization of the Hungarian government and top party leadership, accompanied by the announced intent of the new regime to slow the tempo of socialization and relax its harsh coercive policies, is unparalleled in the Satellites. This may be indicative of further sharp changes in tactics throughout the Orbit. Failure of the Hungarian parliament to meet on 17 June as prescribed by the constitution suggests that the changes were being formulated prior to the outbreak of the East German riots.

The new Hungarian government has pledged a slowdown in collectivization and industrialization, a partial return to private trade, the abolition of internment camps, amnesty for "wrongdoers," and a rise in living standards.

In Rumania, some limited concessions have been made to the peasants, and the government has announced plans to release food supplies to alleviate a severe shortage of basic foodstuffs.

In Czechoslovakia, the sudden repeal on 7 July of a week-old decree specifying stringent steps to combat labor indiscipline may also presage a softer policy toward the population, which had been virtually placed in the status of forced labor by this decree and other recent government measures.

Western missions in Warsaw had observed nothing as of 7 July to substantiate rumors of Soviet troop movements from East Germany into Poland to quell alleged Polish uprisings. On 5 July the Polish press agency flatly denied that any security measures had been taken in Poland and stated that conditions were calm. Soviet troops were observed moving out of East Berlin and other German cities beginning in the afternoon of 27 June, apparently to return to home stations. The dispatching of troop trains toward the East German-Polish border, although not yet confirmed, might be in preparation for the normal rotation of troops between the USSR and East Germany which usually begins about this time of year.

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Inside the USSR, the Georgian party congress which was scheduled for 25 May continues to be postponed. Its scheduled convocation was first announced on 14 April at the time of the sweeping reorganization of the Georgian party and government, presumably for the primary purpose of confirming the changes in the Central Committee.

Preparations for the congress in the form of meetings of provincial and city party conferences to elect delegates concluded on 23-25 May with the Tbilisi City Conference. The proceedings were not reported until 30 May, and since then there has been no press attention to the congress itself or to the mistakes of the former Georgian leadership, so widely discussed at the party meetings in May.

There is at present no clear explanation for the indefinite postponement of the congress, but it is possible that the results of the purge in April and the "official" explanation offered at that time have caused uneasiness among some members of the new leadership in Moscow. In this case Beria and his supporters may have moved arbitrarily without the full agreement of other members of the collegial regime. This possibility is in contrast to the apparent agreement of the top leaders as evidenced in the consistency of their new tactics since Stalin's death.

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THE GENERAL LIMITS OF SOVIET INTERNAL CONCESSIONS

Since Stalin's death, the Soviet regime has followed a policy of conciliation and minor concessions at home as well as abroad. The pattern of internal concessions seems to indicate that the new leaders are attempting to reduce the strains and stresses of dictatorship, without, however, altering the fundamental character of the regime.

So far internal concessions, mostly in the economic field, have been calculated to have wide popular appeal but relatively minor political significance. They include the lowering of prices, the reduction in the size of the state loan and the introduction of bargain sales.

The amnesty decree of 27 March and the promise to rewrite the criminal code to give more emphasis to civil rights seemed to point toward a limitation of the government's coercive power. However, the fact that the amnesty did not apply to persons sentenced to terms of over five years for counterrevolutionary crimes, major thefts of socialist property, or banditry, indicates that the new government has not abandoned coercion as its basic method of control. The extent of future concessions is still unclear, but any abandonment of the collective farms or the adoption of a more liberal electoral system appears out of the question.

A good measure of the general limits of the reforms will be provided by the prospective revisions of the criminal codes which were promised in the amnesty decree. The criminal codes of the several union republics are the legal basis for judgments on crimes which specifically include crimes of a political and economic character and of maladministration by officials. Although the codes set the tone of the formal legal structure of the Soviet system, they are only one of many coercive mechanisms. For example, the "special conference" of the MVD can try and sentence individuals without regard to the established legal system.

The amnesty decree predicted two types of change in the codes. The first would be the designation as administrative of certain crimes of an economic nature or committed in an official capacity. Withdrawal of such offenses from the criminal code would limit the severity of punishment, and reduce the pressure on factory managers to falsify production

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figures. This would probably improve industrial efficiency, a basic government goal. However, it would not actually reduce the centralized control over the managerial class. Any serious delinquencies could always be punished under such general articles in the criminal code as those dealing with the "undermining of state industry," which is presently defined as a counter-revolutionary crime.

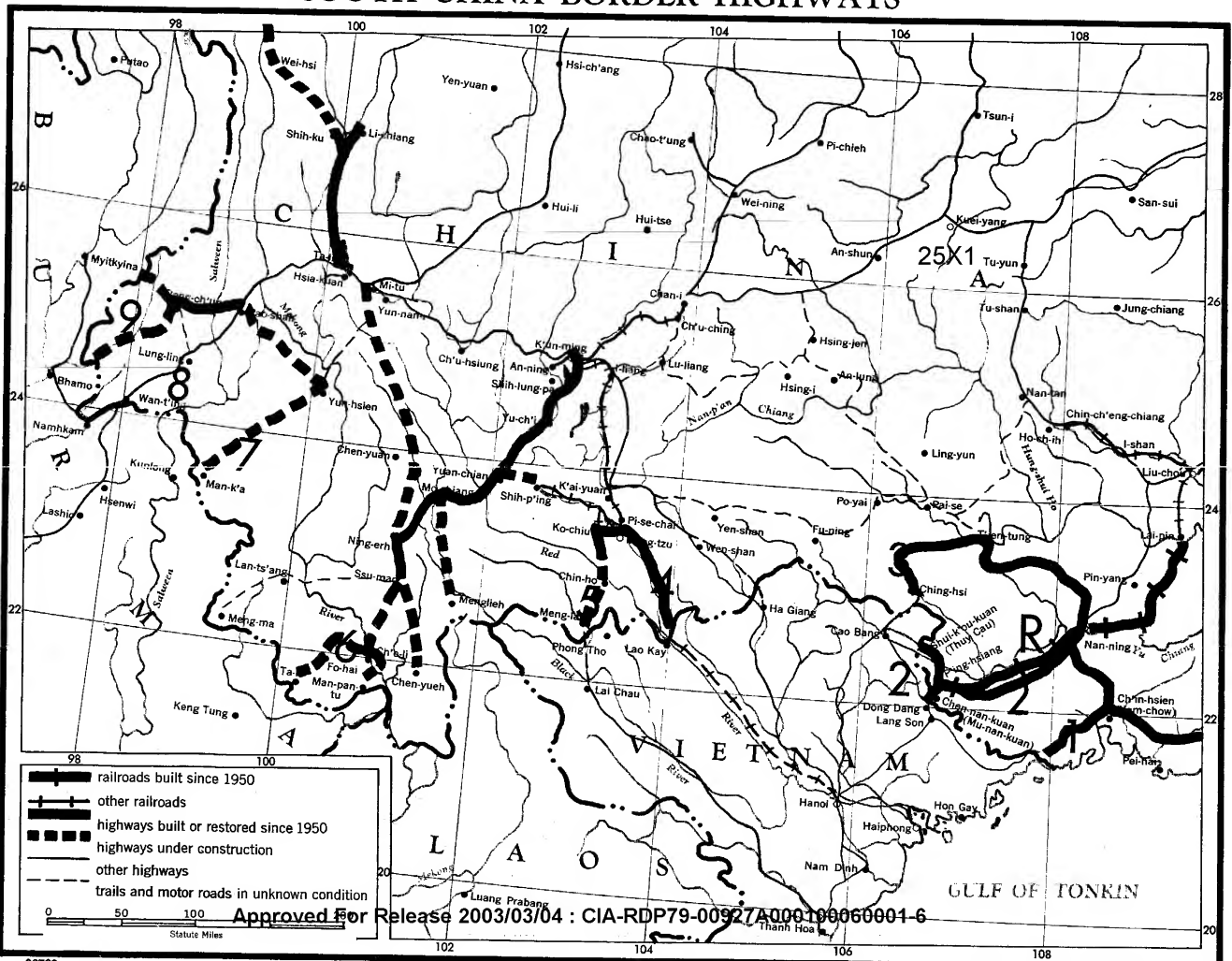
The second type of reform, the reduction of punishments authorized by the code for certain crimes, would have great propaganda value. Its actual effect would be limited since the code lists only the minimum punishment for more serious crimes and leaves the length of sentence above the minimum to the discretion of the court. Thus any real easing of punishments would be better accomplished by a change in the trend of recent years toward more and more severe sentences.

Another example of this propagandistic type of reform might be the strengthening and expanding of the articles which deal with transgression of the judicial rights of the people. At present, penalties are provided for rendering an unjust sentence, for the extraction of evidence by compulsion, and for illegal arrest. Any further guarantees would still be purely formal, however, and would not necessarily prevent state action.

If the regime actually wanted basic changes in the relations between government and people, it might abandon the concept of counterrevolutionary crimes. These are presently defined as any acts aimed at the weakening of the "fundamental economic, political, and national conquests of the proletarian revolution." A rejection of this concept, which has been used to cover a wide variety of crimes otherwise falling under less serious categories, would be a salutary reform. Yet it seems improbable, for the Kremlin is unlikely to risk limiting its coercive power.

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SOUTH CHINA BORDER HIGHWAYS



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HIGHWAY CONSTRUCTION IN SOUTHERN CHINA

The Chinese Communists have been steadily building new highways in the southern border area since 1950, thus enhancing their capabilities for supplying the Viet Minh and threatening Burma.

Some current road building, especially toward northwestern Tonkin and Laos, may be in preparation for a Viet Minh fall of-offensive. This objective has already been suggested by the increase in Soviet trucks allocated to southern China this spring, and the sharp rise in June of Chinese truck shipments into Vietnam.

At present the routes into Indochina, (2) and (4) on the adjoining map, and the Burma Road (8) are the only important ones known to be in use. The routes marked (1) and (3) in Kwangsi Province were restored by the Chinese in 1951, but following the extension in November 1951 of the Kwangsi railroad to Pinghsiang (R) neither of the other Kwangsi routes has been very active.

The roads marked (5) and (6) toward northwestern Tonkin and northeastern Burma, respectively, are those on which the Chinese appear to be working most energetically. The road from Mengtzu through Chinho (5) was first noted under construction in August 1952. This spring, according to subsequent reports, the Chinese completed the road as far as the Red River, using coal-burning steam rollers. Many recent reports have stated that the road numbered (6) was open to motor vehicles to Ssumao by early 1953.

Low level reports indicate that work has been slow on the road networks in western Yunnan near the Burmese border, designated as (7) and (9).

Much of the road-building activity in Yunnan Province, particularly near the Burmese border, is designed to improve internal Chinese communications. Similar improvements have been noted in all large backward and isolated areas of China. While increasing military capabilities, they are also aimed at combating bandits and dissidents and encouraging domestic trade.

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COLONEL NASR CONSOLIDATES HIS POWER IN EGYPT

Colonel Nasr and his immediate supporters have assumed open control of the Egyptian government following the cabinet changes which accompanied the 18 June proclamation of a republic. As a result, prospects for a settlement of the Suez question satisfactory to Britain may have worsened.

In recent months, Colonel Nasr, the real power behind the army group and the leader of the less moderate faction within the 12-man Revolutionary Command Council, has come increasingly to the fore as spokesman for the military regime. He is now vice premier and minister of interior with control of the police.

Two of his supporters, Major Salah Salam and Wing Commander Baghdadi, have taken over the key ministries of National Guidance and War and Marine, respectively. Another close associate, 33-year-old Major General Hakim Amir, is commander in chief of the Egyptian armed forces. The police, propaganda, and military are thus brought directly under the control of the Nasr faction.

An unconfirmed report from Cairo states that Nasr intends to strengthen his position further by taking over the premiership, now held by Nagib, within two months, leaving the latter in the ill-defined post of president of the republic. [REDACTED]

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[REDACTED] Nasr also wants the office of vice president, which would formally designate him as Nagib's successor.

Whether General Nagib will accept the unclarified role now assigned to him is not yet apparent. Nagib, who reportedly was chosen just prior to the 23 July coup last year as a figurehead rather than as leader of the group of officers organized by Colonel Nasr, has become very popular with the masses, who regard him as a symbol of the ideals declared by the army revolution. Thus he has achieved a position in his own right, and has been able to act as a modifying influence over the group of younger and more radical officers.

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[REDACTED]

[REDACTED] However, despite reported differences between Nagib and Nasr within the Revolutionary Command Council, neither may wish to force an open break at this time.

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Colonel Nasr's assumption of the control has serious implications for the future in both the domestic and international field. The regime's social and economic reform program requires the fullest cooperation from such civilian experts as exist. The effectiveness of the army group will ultimately depend on an ability to retain their support. The appointment three young, inexperienced army officers to cabinet posts can be expected to increase military interference in the government, resulting in a further decline in administrative efficiency.

In the realm of future Anglo-Egyptian relations, the new developments are equally ominous. Egyptian activities in the Sudan will probably be increased. Major Salam has become minister of state for Sudanese affairs in addition to holding the portfolio of National Guidance. Egyptian influence in the Sudan, which reached a peak immediately following the Anglo-Egyptian agreement last February, is now declining. Salam, who considers the February agreement a personal triumph, will use every possible means to extend Egyptian interests in the Sudan without regard for the possible political repercussions. This would further irritate Anglo-Egyptian relations.

The Nasr group, despite reports to the contrary, is inclined to oppose a negotiated settlement with Britain on evacuation of the Suez canal base. The group accordingly desires a political victory based on British acceptance of "unconditional evacuation" and has indicated its willingness to risk the future of the regime to attain this goal.

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CURRENT POSITION OF COMMUNISM IN PAKISTAN

The Pakistani Communist Party, lacking capable leadership, weakened by internal factionalism, and faced with determined governmental suppression, has been unable to win broad popular support and its membership has apparently never exceeded 8,000.

Two major problems have faced the Communists in Pakistan since the partition of the Indian subcontinent on 15 August 1947. Firstly, the loss of many capable Hindu and Sikh Communists, who were forced to flee to India in the mass migrations following independence, created major difficulties in developing strong leadership. The remaining Moslem group was weakened in its efforts to develop an effective national organization by the struggle for power among its various factions. Secondly, the division of Pakistan into two parts separated by more than 1,000 miles of Indian territory posed the problem of maintaining close liaison between these areas.

Despite these drawbacks, the Communist Party operated openly as a political group and tried, though with little success, to weld itself into an effective opposition to the government. It also gained control of the Pakistan Trade Union Federation of about 25,000 members and established various writers', students', theater, and "peace" fronts.

In March 1951, however, discovery of Communist implication in the so-called "Rawalpindi Conspiracy" by high-ranking army officers to overthrow the government led the regime to take stringent anti-Communist measures. All important Communists were jailed and the influx of Communist propaganda from abroad was limited. These official measures were strongly supported by the Pakistani public, which was shocked by disclosure of the plot. The assassination of Prime Minister Liaquat Ali Khan in October 1951 gave the government further excuse for repressive action, though there was no firm indication that the Communists were connected with the killing.

Since 1951, therefore, the Communist Party of Pakistan has practically ceased to exist as an overt political organization, and has operated almost exclusively through political and cultural fronts. Chief of these is the Azad Pakistan Party, led by the wealthy publisher and fellow-traveller Mian Iftikharuddin whose newspapers and money have aided the Communist cause considerably. This party, formed in November 1950 by Moslem League dissidents intent on participating in the Punjab provincial

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elections of March 1951, has since become the mouthpiece of Communism in West Pakistan, but has not developed a large following. It is represented in parliament by three members, who are outspoken in their efforts to create confusion and delay.

Through student fronts, the Communists have exploited public sentiment in East Pakistan for the establishment of Bengali as one of two national languages. Severe rioting on 21 and 22 February 1952, in which Communists participated, was widely backed by the East Bengali public. As a result, the government's policy of promulgating Urdu as the sole national language may now be altered in favor of a bilingual state.

In January 1953, a Communist-front student group in West Pakistan opened a campaign of agitation for lower university fees and other educational reforms. Following a period of rioting and violence, the government capitulated to the students' demands.

Still later in 1953, covert Communist support for orthodox Moslem religious groups opposing the proposed secular nature of the new Pakistani constitution and demanding the ousting of Foreign Minister Zafrullah Khan also reached a high point. Agitation, in which Communists participated, against Zafrullah Khan and the Moslem minority Ahmadiya sect to which he belongs culminated in such extensive violence and bloodshed that it led to the replacement of Prime Minister Nazimuddin by Mohammad Ali, then ambassador to the United States.

For a time, it appeared that Pakistani Communists had recovered sufficient confidence in their own strength and in the weakness of the government to challenge the latter with a display of open violence. Installation of the new Pakistani government on 17 April 1953, however, effectively blocked the Communists. This government, fully supported by high civil and military officials, has demonstrated its intention to prevent any recurrence of the earlier disturbances, both by strong police controls and by seriously attacking the country's political and economic problems. Its tasks have been materially eased by the recent grant of American wheat.

It therefore seems probable that the regime will regain much of the public support which its predecessor had lost, and that Pakistani Communists will in the immediate future have greater difficulty than previously in finding individuals and situations to exploit.

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BRAZIL'S ANTI-FOREIGN OIL POLICY BEGINS TO CHANGE

Brazil's attitude toward foreign exploitation of its petroleum has taken a favorable turn over the past year despite the bitter campaign waged by the Communist and nationalist opposition since 1947. Passage of legislation permitting such exploitation would be a major defeat for the anti-US forces, and would go far toward solving the critical foreign exchange problem. It could also be expected significantly to increase available western hemisphere petroleum reserves.

Brazilian opposition to foreign participation in the development of the oil industry reached its height in June 1952. "The petroleum is ours," the slogan of the Communists and nationalists, was so effective that virtually no Brazilian leader dared publicly take a contrary stand. President Vargas, in a June 1952 speech, defended the ultranationalistic proposed legislation, declaring that no one was going to be more nationalist than he.

The general agreement of both local and foreign oil experts that foreign participation was essential to a successful domestic petroleum industry was seldom mentioned. The government-controlled industry produces only about two percent of Brazil's requirements.

Within four months, however, the general attitude had begun to change, perhaps as a result of the increasing drain on foreign exchange resources caused by rising petroleum imports. In mid-October, Vargas reportedly urged the Brazilian Senate to delay passage of the petroleum bill then under consideration.

The following month some of the more nationalistic Brazilian businessmen and senators were reported to have reversed their position and to have begun working for more liberal legislation. Eventually the vice president, the national chairman of the largest political party, and the leading presidential aspirant all openly and strongly advocated foreign participation in the Brazilian oil industry. When the bill was finally brought out on the Senate floor in April 1953, numerous liberalizing amendments were promptly offered.

On 9 June the Senate passed a bill authorizing foreign participation in exploration, drilling, and extraction of petroleum. It rejected, however, by a vote of 27 to 24, an

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amendment which would have authorized foreign participation in refining, without which foreign companies will not enter Brazil's petroleum industry.

The proponents of more liberal legislation are now re-forming their lines in the hope of obtaining approval of the Chamber of Deputies for permissive refinery provisions as well as for the provisions approved by the Senate. There is little prospect of immediate success, however, unless Vargas will openly and unequivocally support their efforts.

Although Vargas is still unwilling to take the political risks of publicly denouncing ultranationalism, he now recognizes that local production of oil sufficient to satisfy domestic requirements would be of the greatest help in solving the critical foreign exchange problem.

Petroleum imports last year cost Brazil the equivalent of \$240,000,000 and comprised about 12 percent of its total imports. In an effort to minimize this expenditure, Brazil recently acquired 12 ocean-going tankers, totaling over 135,000 gross tons, and a fleet of coastal tankers. It has also made considerable progress on construction of refineries with projected capacity equal to domestic requirements for the near future. Brazil's rising expenditures for oil, however, about 17 percent higher in 1952 than in 1951, can be expected to cut more and more into its imports of United States manufactures--of which it was still the largest South American purchaser in 1952--unless domestic sources of oil are developed.

If the advocates of foreign participation achieve the desired legislation, foreign companies could be expected to begin activity within a relatively short time. Adequate exploration in Brazil would be likely to result in a significant increase in proved western hemisphere petroleum reserves. Geophysical exploration has already revealed two major areas, both reasonably accessible, in which petroleum reserves are believed to be great.

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